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SUBJECT: THAILAND'S GDP FALLS 4.3 PERCENT IN THE FOURTH QUARTER, THE FIRST DROP IN A DECADE

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1. (U) Thailand's National Economic and Social Development Board (NESDB) issued a press release February 23 providing Thailand's official GDP statistics for the fourth quarter of 2008: negative 4.3 percent compared with the fourth quarter of 2007. This dismal performance dragged the overall growth for 2008 down to 2.6 percent, about half of 2007. This is the first time since 1997-98 that there has been negative growth during a quarter. The performance was worse than earlier predicted and has caused the NESDB to project that for all of 2009 Thailand's GDP is likely to be negative (negative 1.0 to 0.0 percent).

2. (U) Despite Thailand's poor GDP performance, NESDB's release did contain some good economic news. Inflation dropped to 2.1 percent and the Current Account is still showing a small surplus as imports are falling even faster than exports. The official unemployment rate is projected to rise to 3.5 percent during the year.

3. (SBU) Comment: The Ministry of Finance has not re-adjusted its 2009 forecast of 0.0 to 2.0 percent growth, a projection made before the most recent data on the drop in exports was released. The government, which has been busy promoting its economic stimulus program, may be hesitant to admit that its efforts will be unable to spur GDP growth, but more data like this may force its hand.